

WISCONSIN TRUST ACCOUNT FOUNDATION

ACCOUNTING
AND
FINANCIAL POLICIES & PROCEDURES
MANUAL

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**WISCONSIN TRUST ACCOUNT FOUNDATION
ACCOUNTING AND FINANCIAL POLICIES**

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ACCOUNT RECONCILIATIONS

Discussion

It is extremely important, in the interest of proper internal control, that account reconciliations be handled correctly, because these reconciliations are the final line of defense against improper and fraudulent check disbursements or investment transactions.

A review of the bank statement and cancelled checks or check images performed by an individual independent of check preparation responsibilities and who does not have access to the accounting records is one of the simplest, yet most effective, internal control procedures over cash disbursements for smaller organizations.

In addition, the increased sophistication of electronic banking makes monitoring transmittals and images more secure and timely, and can be incorporated into controls to improve oversight. An example of this might be a product or service that allows the bank to compare checks received with checks generated, such as "Pay Forward" or "Positive Pay."

Account statements should be addressed to, opened by (or alternately, downloaded by), and reviewed by the Executive Director. Account reconciliations should be conducted in a timely manner by the Program ~~Assistant~~ Manager.

2-1. As an extra control, after account reconciliations, the Treasurer or Deputy Treasurer should review and approve account statements and check images and to assure that all pages of the statement(s) are present and no pages are missing.

3-2. Voided checks must be documented and accounted for properly.

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Policy

It is the policy of the Foundation to address bank and other account statements to the Executive Director, who will do an initial review of checks and/or other transactions that cleared during the prior month. ~~The statements will be given to the Executive Director unopened. The Executive Director will download statements directly from the financial institution in a timely manner.~~ After the review, the Executive Director will forward the statement and accompanying materials to the Program ~~Assistant~~ Manager for reconciliation.

~~After reconciliation, the Executive Director will forward account statements and check images to the Treasurer or Deputy Treasurer (as designated by the Finance Committee) on a quarterly basis for review. Items to be reviewed include payee, amount, signature, endorsement, and other relevant transaction information. The Treasurer/Deputy Treasurer will review the documents and fill out a Bank Statement Review Form, which shall be attached to the reconciled statement. The documents and check images should be returned to the office and filed with other reconciled account statements. WisTAF shall transmit disbursements made by check to its financial institution, where they will be~~

compared against check images received. Any discrepancies between the record shall be reported to the Executive Director and the Treasurer.

Procedure

~~When received, unopened account statements will be given to the Executive Director~~The Executive Director shall download bank statements by the 10th of each month.

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Within 10 days, the Executive Director will forward account statements to the Program ~~Assistant~~Manager who is responsible for account reconciliations. This individual cannot be a check signer. The Program ~~Assistant~~Manager will answer any questions posed by the Executive Director and prepare the account reconciliations by the 20th of the following month.

~~The Executive Director will be responsible for coordinating the Treasurer/Deputy Treasurer review process.~~The Program Manager shall upload a report containing all check images to the bank's "Positive Pay" system on the day the checks are issued.

ACCOUNTING PROGRAM ACCESS & CONTROLS

Policy

The Executive Director has administrative access authority over the password access to the Foundation's accounting program. Password information will be kept in a secure location.

Audit tracking must be enabled for all accounting programs. On a quarterly basis, the Executive Director will generate an audit tracking report for the previous period, including deleted transactions. The Executive Director or the Treasurer/Deputy Treasurer will review the report for unusual or unexplained transactions.

AIMIOLTA 2 DATABASE ACCESS

Policy

The Program ~~Assistant~~Manager has administrative password access to the AIMIOLTA 2 database. The Executive Director has limited report-generating password access to the AIMIOLTA 2 database. All password access codes will be kept in a secure location.

AIMIOLTA 2 DATABASE ACTIVATIONS AND INACTIVATIONS CONTROLS

Policy

The Program Assistant shall log all financial institution and attorney account changes in the appropriate Activation or Inactivation log. The Executive Director or Program Manager will approve all account changes before they are entered into the AIMIOLTA 2 database. The Executive Director or Program Manager will print a monthly inactivation report and reconcile it with the corresponding log.

ANNUAL LEAVE & PERSONAL TIME PAYMENTS

Policy

Employees may carry forward leave and personal time per personnel policy guidelines. Unused leave earned in excess of this amount during the year and not used will be lost.

The maximum amount of annual leave or personal time paid to a terminating employee will be the amount of leave carried forward into the subsequent year (not to exceed the leave allowances outlined in the personnel policies), plus the amount of accrued but unused leave earned during the year of termination.

Procedure

All employees must turn in their approved absence report slips to the Executive Director, who will maintain a record of personal time and annual leave use. Upon termination of employment, the Executive Director will approve payment of unused leave or personal time per personnel policies. In the case of the Executive Director, the Program Assistant Manager will supply this information to the President or Treasurer for approval before disbursement.

AUDIT AND INTERNAL CONTROLS

Policy

The review of the annual audit and internal controls are two of the most important procedures the Board has for fulfilling its fiduciary responsibilities to the Foundation.

The Executive Director and Treasurer establish internal controls pertaining to the accounting and AIMIOLTA 2 database records.

The Board selects the public accounting firm that will perform the year end financial audit (see "CPA Firms: The Engagement Letter"). The financial audit is presented to the Board who has the authority to approve the audit.

Procedures

Whenever there is a change in administrative personnel or a change in the operating structure of the organization, the Treasurer and Executive Director will meet to determine

that the internal control system continues to meet the needs of the Foundation. If appropriate, the changes will be reflected in this accounting procedures manual.

The key feature of the internal control system is that the Program Assistant (who maintains the AIMIOLTA 2 database and IOLTA records and does the bookkeeping) is not involved in handling checks and cash received, signing checks, transferring money or establishing cash accounts or investments and does not receive the unopened bank statement. The other aspect of this is that the Executive Director reviews the transactions of the other employees and is responsible for noting any problems directly to the Treasurer or President.

The Board will approve the public accounting firm to perform the annual audit at least once every three years.

The Treasurer will attend the audit exit conference at the conclusion of the audit or otherwise talk directly to the auditors regarding their findings. The public accounting firm will present the audit to the Board each year. The Board will review and approve the final audit.

The ~~Program Assistant and the~~ Executive Director will be responsible for scheduling the audit, preparing the information needed by the auditors and answering questions during the audit.

ELECTRONIC BANKING – SECURE ACCESS

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The Executive Director has administrative access authority over the password access to the Foundation's banking accounts. Password information will be kept in a secure location.

BASIS OF ACCOUNTING

Policy

The Wisconsin Trust Account Foundation uses a modified cash basis of accounting. This differs from U.S. generally accepted accounting principles because the Foundation does not recognize accounts receivable from trust accounts, accrued interest on investments, and accounts payable to vendors and grantees and their related effects on earnings.

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are defined as net assets that are not subject to donor-imposed stipulations. Board designated net assets are defined as unrestricted net assets subject to self-imposed limits by action of the Board of Directors for grant awards to be paid in the future.

BID REQUIREMENTS

Discussion

Bids should be required for material expenditures to ensure the Foundation is receiving the best cost for goods and services.

To accomplish this goal, a formal bid requirement policy should be implemented, and it should apply to all material expenditures when the Foundation has discretion over the vendor chosen.

Bids should be listed and discussed.

Policy

It is the policy of the organization to require bids for the following expenditures:

Printing Three bids are required for all printing expenditures exceeding \$1,000.

Capital Three bids are required for all capital purchases exceeding
Purchases \$1,000.

Professional Professional services, including CPA firms and law firms will
services be evaluated every three years, and requests for proposals, will
 be prepared and sent to qualified firms in the same field.

Other All other expenses exceeding \$1000.

BOARD MEMBER REIMBURSEMENT AND MEETING EXPENSES

Policy

Board members of the Wisconsin Trust Account Foundation, Inc., are volunteers who give their service to the Foundation voluntarily, and waive submitting expense vouchers for reimbursement of out-of-pocket expenses associated with their Foundation Board activities. Exceptions to this policy may be granted by the President or Executive Director, or in the case of the President's request for reimbursement, by the Treasurer. The check signer may not sign a check payable to him/herself.

Hotel Accommodations – Board meetings should be scheduled at times and in locations to minimize hotel expense. Requests for hotel accommodations must be approved by the President, ~~or~~ Treasurer or Executive Director. Board meetings should be held at locations that do not charge for meeting rooms.

BONDING OF BOARD AND STAFF

Discussion

Not only does it make prudent business sense, but often bonding of employees is required by lending institutions, granting agencies, and so forth. The expense of bonding employees who handle checks and cash is minor in relation to the comfort provided in the event of employee dishonesty.

Policy

It is the policy of the Foundation to bond all employees involved in the financial functions of the Foundation. The Foundation shall maintain officers and directors insurance.

Procedure

The Executive Director will ensure that the Foundation has adequate insurance coverage for employee indemnity and directors and officers. The minimum coverage for employee indemnity shall be \$100,000 per incident and the minimum coverage for directors and officers shall be \$1,000,000 per incident.

The Executive Director will request bids for coverage at least every three years.

BUDGETING

Policy

The Board is responsible for guiding the budget process and for approval of the annual budget.

The Executive Director will be responsible for preparing the proposed budget.

Procedure

The budgeting process will begin in July for the following fiscal year. This will allow for six months of results to be used in planning the budget. A five-year rotating budget that shows two years past actuals, the current budget year, and projections for the upcoming two budget years should be included as part of the process.

All budget documents will be submitted to the Executive Director by July 31 for consolidation into an overall agency budget. The Executive Director will then review this to determine if there are any obvious areas that may need to be reworked. The collated budget will be submitted to the Finance Committee by August 31 for review and feedback. Any further revisions will be made and the budget presented to the Board at its

fall Board meeting. The Board has the authority to modify the budget. The Board must approve a budget.

An approved budget may be modified by the Board for subsequent activities.

CHART OF ACCOUNTS

Discussion

At the heart of the accounting operation lies the chart of accounts.

The chart of accounts should be constructed to allow a trained accountant an immediate understanding of the accounting numbering system. It should include a brief description of the use of each account.

Generally, a chart of accounts is divided into the following six account groupings:

1. Assets
2. Liabilities
3. Net assets
4. Revenues
5. Expenses
6. Functions or departments of the organization

The numbering system should clearly indicate the account grouping in which the account belongs. For example, all asset accounts begin with the number one, all liability accounts begin with the number two, and so forth.

Policy

It is the policy of the Foundation to maintain a chart of accounts. All employees involved with accounting coding responsibilities or budgetary responsibilities will be issued a chart of accounts, and the chart of accounts must be updated on a routine basis.

Accounts shall be numbered in the following manner:

Assets	1000
Liabilities	2000
Equity	3000
Income	4000
Expenses	5000

Other Expenses 6000 – 7000 (functions or departments exceptional to or adjusting to the budget; usually assigned by auditors)

Procedure

The Executive Director will assign new account numbers and definitions after discussion with the Treasurer as needed.

A list of the current chart of accounts should be included with this manual in the “Index: Accounting Forms” section.

CHECK DISBURSEMENTS

Discussion

With the exception of small cash expenditures that are handled by petty cash fund disbursements, most other expenditures will be handled by check.

Because of the need for internal control, the policies concerning check disbursements should be very straightforward and clear.

These three rules concerning check disbursements should always be followed:

1. Unused checks should be prenumbered, stored under lock and key, and requested formally.
2. A designated person should approve, initial and date invoices for entry into the accounting software for payment at a later time.
3. All checks exceeding \$1,000 should be signed by two persons.

Policy

The positions authorized to sign checks are Executive Director, President, Vice President, Secretary and Treasurer.

Check signers are prohibited from signing checks payable to themselves.

It is the policy of the Foundation to keep unused check supplies safeguarded under lock and key. All check supplies will be prenumbered. Check printing authorized by third party vendors (such as payroll services) will be numbered sequentially per a pre-authorized series different from the series used for checks generated from the Foundation offices.

All check disbursements will require approved invoices or expense vouchers. The resulting checks in excess of \$1,000 will be signed by two persons not requesting the check.

Signed checks that have not been mailed or distributed will be put under lock and key at the end of each day.

Reimbursement checks for the Executive Director and supporting documentation shall be forwarded to the Foundation’s President for review and approval.

Procedure

When checks are to be prepared for disbursement, the Executive Director approves invoices and gives them to the Program Assistant for payment. Check disbursements (including payroll) are made the 15th and the last day of each month, or the last workday prior if that date falls on a weekend or holiday.

The Program Assistant will ensure that two authorized signers sign all checks over \$1,000, or checks made out to the Executive Director are signed by an authorized Board member.

The Program Assistant is responsible for verifying that bills are not paid twice. The Program Assistant is also responsible for getting authorization for disbursements to the Executive Director.

COMPUTER NETWORKING & BACKUP

Policy

The Accounting program and the AIMIOLTA 2 database program will be backed up regularly. The Program Assistant will be responsible for ensuring these backups.

Procedure

The office networks its computers through the Program Assistant's computerserver located in the Program Manager's office. Most business files are stored in shared files on that C-driveserver. The AIMIOLTA 2 database is available on all office computers, though each person accessing it must use a unique password so that data cannot be changed, merely accessed.

The accounting program will be stored outsideon the network, ~~on the Executive Director's C drive~~.

The Program Assistant's C Driveserver will be backed up daily to the Executive Director's C Drivea web-based back-up system. It will also be backed up daily to a tape system or a rotatingan external hard drive. ~~Tapes or external hard drive backups will be stored outside the office.~~

~~The Program Assistant will backup the accounting program at least once per month, preferably after each disbursement period. One set of backup disks will be stored in the fireproof safe, and one set of backup disks will be stored outside the office. The Program Manager shall be responsible for maintaining back-up systems.~~

CONFLICT OF INTEREST

Discussion

To ensure transparency is maintained, it is a best practice procedure that the board of directors of nonprofit agencies avoid potential conflict of interest. Board members should review this policy and make appropriate disclosures in a signed statement every year. Such a system should ensure that the board is protected from litigation due to any potential conflict of interest.

Policy

No board member shall engage in any business or transaction or shall have a financial or personal interest, direct or indirect, that is incompatible with their fiduciary duty to the Foundation or which would tend to impair his or her independence of judgment or action relating to the Foundation. Personal, as distinguished from financial interest, includes any interest arising from blood or marriage or close business association.

Each board member has a duty to place the interest of the Foundation foremost in any dealings with the organization and has a continuing responsibility to comply with the requirements of this policy.

Board members may not hold an active Board membership on the policymaking board of any of the Foundation's current or prospective grantees. Board members are likewise discouraged from doing business with the Foundation. Should either of the foregoing apply, full disclosure is required. Further, should a member offer to do business for the Foundation, the full terms and nature of said business shall be reviewed by the Board of Directors.

If a board member has an interest in a proposed transaction with the Foundation, in the form of a significant, personal financial interest in the transaction or in any organization involved in the transaction, or holds a position as trustee, director, or officer in such organization, he or she must make full disclosure of such interest before any discussion or negotiation of such transaction.

Any board or committee member who is aware of a potential conflict of interest with respect to any matter coming before the board or a committee shall not be present for any discussion of or vote in connection with the matter. All staff and board members are asked to sign this statement and return it to the Foundation office to be filed.

Procedure

Each July, the Executive Director will distribute "Conflict of Interest Statement" forms (see "Index: Accounting Forms") to all board members and staff. Each board or staff member will review the Foundation's conflict of interest policy and complete and sign the disclosure statement. All completed disclosure statements will be held permanently and filed at the Foundation office.

CONTRACT SIGNING AUTHORITY

Discussion

The Foundation should have a firm policy regarding what individuals have the authority to sign contracts and other instruments obligating the Foundation; the policy should also state when that authority exists. Typically, the authority to sign contracts is vested with the Executive Director or the Board President, as long as the financial implications of the contract are included in the Foundation's budget. Unbudgeted obligations typically require board of director's approval before authority to sign the contract is granted.

Policy

It is the policy of the Foundation to grant authority to sign contracts to the Executive Director or the Board President, as long as the financial implications of the contract are included in the Foundation's budget.

If the financial implication of signing a contract is not included in the Foundation's budget, board of directors' approval is required before authority to sign the contract is granted.

All signed contracts will be kept in the fireproof document safe.

CONTRIBUTIONS

Discussion

As part of the Omnibus Budget Reconciliation Act of 1993, foundations receiving single contributions of \$250 or more must provide written substantiation to the contributor for the contribution to be tax deductible. The contributor's canceled checks are no longer considered adequate documentation.

Policy

It is the policy of the Foundation to send thank you letters on the Foundation's letterhead acknowledging all contributions, regardless of the amount. The letters will indicate the dollar amount contributed and what portion, if any, was exchanged for goods or services.

Procedure

Thank you letters will go out on WisTAF letterhead and over the signature of the Executive Director.

CONTROL OVER CHECKS & CASH

Discussion

Internal control of incoming checks and cash is just as serious as control over cash disbursements.

Policy

After the mail has been opened by the Program Assistant, a log of checks received that day should be completed. The log should simply record the name of the payer, the check number, the date of the check, the amount of the check, and the invoice number, if applicable. The log should be signed by the person(s) completing it.

Checks should be restrictively endorsed at the time the mail is opened. All deposits should be approved by the Executive Director. The endorsement stamp should spell out the Foundation's full name (never use acronyms), the bank name, and the bank account number.

For example:

Checks should be business day after received.	For Deposit Only Wisconsin Trust Account Foundation Bank Name Account Number	deposited on the they are
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It is the policy of the Foundation that all incoming mail will be imprinted with a date-received stamp.

Procedure

Mail will be opened by the Program Assistant and will be imprinted with a date-stamp and initialed by the person opening the mail that day. Unopened envelopes (such as account statements or items marked as "confidential" or "personal") will also be imprinted with a date stamp, and should accompany materials when appropriate as a record of reception. Checks received will be noted on the Daily Checks Received Log Form, which will include the date, the name of the payer, the date of the check, the amount of the check, and the invoice number if applicable. The Program Assistant will immediately stamp the back of any check(s) received with the Foundation's endorsement stamp.

Once the checks have been recorded they will be given to the Executive Director for review. The Executive Director will then give the checks to the Program Assistant to enter the deposit into the accounting system, indicating the proper account to credit in the Foundation's financial statements.

The Program Assistant will photocopy all checks to be deposited and print a deposit summary record from the accounting program. The Executive Director will approve the deposit and take it to the bank. Once the deposit is made, the Program Assistant will attach the deposit receipt to the photocopied check(s) and summary report and file the deposit record in a secure location.

The original Daily Checks Received Log Form will be retained by the Program Assistant until the annual audit. All checks received will be deposited on the next banking day.

CONTROL OVER AUTOMATED CLEARING HOUSE (ACH) TRANSMITTALS: BANKS

Policy

~~On a monthly basis, a person not creating the ACH file or initiating the ACH transfer will review all ACH transactions. Review should include a check for ACH accounts not remitting to appropriate Foundation accounts. A person not creating the ACH file or initiating the ACH transfer will review all ACH transactions prior to being transmitted. All electronic transactions must be approved for transmittal by two people, using unique, approved log-ins.~~

All law firm and financial institution accounts that need to be inactivated should be approved by the Executive Director before inactivation. Logs shall be maintained of bank and law firm accounts activated or inactivated. The Executive Director shall review logs on a periodic basis.

~~Treasury Connection Management.~~ Passwords and transmittal codes for the ACH transmissions shall be kept in a secure location.

Procedure

~~The Program Assistant will fax monthly or quarterly ACH report batches to participating financial institutions on the first of the month or the first of the quarter for the preceding period. All banks are provided with an electronic remittance form template and are required to submit remittance reports via secure electronic methods, including but not limited to secure encrypted email, upload to WisTAF's secure website, or upload to a secure website accessible by rotating passwords. Banks are assigned a remittance date of either the 8th or the 15th of the month, either monthly or quarterly, and must submit their reports by that date.~~

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Upon receiving the completed remittance reports from financial institutions, the Program Assistant will create ACH transmittal batches at least twice a month, but no more than weekly. Batches will be deposited to the ~~lockbox~~business account via secure ACH electronic or modem connections. Every effort will be made to deposit ACH transmittals within as short a period of time as reasonably possible, but at least within the month they were reported.

When ACH files are ready to be uploaded to WisTAF's secure transmission site, the Program Assistant will generate a hardcopy report of the file and submit it for review to the Program Manager, or in the Program Manager's absence, to the Executive Director. The Program Assistant will then upload the ACH file to the secure electronic banking system and submit the first approval. The Program Manager will review the file and bring any discrepancies in it to the Executive Director. If there are no discrepancies, the Program Manager will submit final transmittal approval. All electronic transactions must be approved by two people, using unique, approved log-ins.
~~On a monthly basis in tandem with other account reconciliations, the Executive Director will generate an ACH transmittal report from the AIM database and reconcile it with the transmittal records kept by the Program Assistant, checking for discrepancies between the records such as unrecorded bank remittances.~~

The Program Assistant shall record any new financial institution ACH participants in the ACH Banks Log. The Executive Director will compare the ACH Banks Log to the AIMIOLTA 2 database records on a quarterly basis.

The Program Assistant shall do quarterly non-remittance checks and contact any delinquent financial institution as needed (see Non-Remittance Reporting).

COST ALLOCATION PLAN

Discussion

The Foundation occasionally manages grant programs for other organizations. When the management involves significant administrative costs, it is reasonable to ask for an administrative fee to cover part or all of those costs. In return, outside organizations will be concerned that those administrative costs are reasonable, and not excessive. A cost allocation plan ensures that all parties are in agreement.

Policy

When the Foundation charges an administrative fee for managing non-WisTAF funding, the Executive Director will negotiate a cost allocation plan with the outside agency. Any negotiated cost allocation plan will be submitted to the Finance Committee for approval before signing.

The Executive Director is responsible for maintaining the cost allocation plan. The Executive Director will review all bills prior to submitting them to funder organizations to ensure Foundation compliance with agreed-upon expenses. Adequate documentation will be maintained to support all billings.

Procedure

The Executive Director and Program Assistant will create tracking systems for direct and indirect costs, including but not limited to: staff time spent on administration, photocopying and mailing expenses, rent and overhead, etc. Staff will record any resources spent on administration of the funding as expenses are incurred.

Billings will be prepared and filed in a timely manner. When billing the outside agency, the Program Assistant will compile all expenses for the period and generate a bill from the accounting program. All expenses will be recorded as a receivable in a separate class within the accounting program, to ensure that Foundation costs are not intermingled with outside administrative expenses. The Program Assistant will attach all supporting materials to a copy of the bill and submit it to the Executive Director for review and approval before mailing.

When payment is received, it will be entered into the accounting program as an offset to the receivables account.

All bills and supporting materials will be maintained and stored per Foundation policy for contracts and agreements (see "Records Access, Retention and Destruction.") These records shall be made available to the outside agency upon request.

CPA FIRMS: Audited Financial Statements

Discussion

Audited financial statements issued by CPA firms must be delivered to each member of the board of directors. Ensuring that members receive these statements is the responsibility of the Executive Director. Contractual agreements might require the Executive Director to send audited financial statements to other organizations, such as banks, granting agencies, insurance companies, and so forth.

While audited financial statements are proprietary, consider making them available to the entire membership by publishing them whole or in part in one of the Foundation's publications, typically the annual report.

Distribution of the audited financial statements to individuals or organizations not entitled by contractual agreement is a matter of organization policy and is generally left to the discretion of the Executive Director.

Policy

It is the policy of the organization to direct the Executive Director to distribute the audited financial statements to the Board of Directors, the Wisconsin Supreme Court, the State Bar of Wisconsin and to all organizations entitled to receive a copy because of contractual agreement.

The authority to distribute the statement to other individuals or firms requesting them will be left to the discretion of the Executive Director or the Board President, who will use Wisconsin open records law as a guideline.

Procedure

WisTAF will use audited financials whenever possible when issuing an annual report or other public financial document.

A log of each year's report distribution will be maintained to ensure compliance.

CPA FIRMS: The Engagement Letter

Discussion

An engagement letter to a CPA firm is required before an audit commences.

The engagement letter should address topics such as capping audit fees; when the audited statements will be available to management; when tax returns are completed; the availability of a partner to present the audited statements and the management letter to the board; the number of copies of the statements that will be provided; and other matters important to management and the board.

The engagement letter might also specify that the CPA firm will be set up on the database to receive all magazines, newsletters, promotional brochures, and all other mailings sent out, and that the firm will be required to retain this material as part of its permanent audit file for future reference and access, if necessary.

Policy

It is the policy of the Foundation to review the draft of the CPA engagement letter before it is signed to ensure it covers matters important to management.

Procedure

The engagement letter will be reviewed by the Executive Director, President or Treasurer immediately before the audit commences. Board or Executive Committee approval is required before the President, Treasurer, or Executive Director is given authority to sign the document. It will be made clear in the engagement letter sent to WisTAF auditors the exact date the audit will be completed.

The audit will be scheduled immediately after the close of the budget cycle.

CPA FIRMS: The Management Letter

Discussion

As part of their audit procedures, CPAs are required to report to management any concerns that arise during the audit in the areas of internal control, accounting procedures, and general managerial inefficiencies. These problems are documented in the CPA's management letter.

Management letter issues should be discussed with the board by a representative of the CPA firm.

It is the responsibility of the board to direct staff to the appropriate action required to correct management letter issues and to follow up accordingly.

As in the case of audited financial statements, outside individuals often have a right to obtain a copy of the management letter because of contractual obligation. Banks and insurance companies are typical examples. Distribution of the management letter to others requesting it is usually at the discretion of the Executive Director or the Treasurer or President. A CPA management letter distribution log should be maintained as a record of individuals and firms who have received the report.

Policy

The Board will discuss the CPA management letter with representatives of the auditing firm and direct staff as to the appropriate action required to correct deficiencies addressed.

Distribution of the management letter to individuals or firms other than those entitled to a copy by contractual obligation is left to the discretion of the Executive Director.

WisTAF's auditors will be asked to present their findings to the Board at the board meeting following completion of the audit.

CREDIT CARD USE

Policy

Company credit cards will be issued to the Executive Director for use for Foundation-related activities or purchases. Credit card information such as account numbers and authorization codes will be kept in a secure location. All credit card balances will be paid in full at the end of each statement cycle in order to avoid finance charges.

Personal Purchases – The Foundation credit card may not be used for any personal purchases.

Receipts – Receipts must be presented for all charges incurred. Receipts must be documented with the business purpose of the expense. Charges not properly documented will be presumed to be personal.

Credit Card Statements – Copies of the monthly statements along with copies of the receipts showing the business purpose shall be provided to the President within 5 days of receipt of the statement. Foundation staff will pay the credit card in a timely way. Payment of late fees for late payments to the credit card company must be approved by the President or Treasurer.

Gas – Gas should not be charged on the Foundation credit card unless a rental car is being used.

DEBT

Policy

Board approval is required for incurring any Foundation debt. The Executive Director will be authorized to negotiate such debt as needed by the Board. Any loans made to the Foundation shall be first approved in total by the full Board and individual disbursements may be authorized by joint prior approval of the President, Treasurer and the Executive Director. In the absence of the President or the Treasurer any two other members of the Board Executive Committee may act in their place.

Any loan covenants and restrictions will be reported to the Board when the debt is authorized. The Finance Committee will review these covenants quarterly and report to the Board if there are any violations or potential violations of the covenants.

Current debt is defined as any mortgages or notes payable that are due within 12 months. Long-term debt is defined as any mortgages or notes payable that are not due within 12 months. Current and long-term debt will have separate lines in the Foundation's financial reports.

Procedure

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A line of credit shall be established for payment of IOLTA grants in the event that IOLTA income should not meet expectations. The line of credit will be reviewed on an annual basis before being renewed. WisTAF investment reserves shall be used to anchor the line as needed.

If lower-than-projected income necessitates the use of the line of credit, the Executive Director will contact the President and Treasurer with the amount of funds needed, the projected period of time the loan will be outstanding, the amount of any already outstanding principal balance, and the cost of carrying the debt until the projected period of time allows for repayment of the outstanding principal. Upon approval of the

President and Treasurer, the Executive Director will instruct the financial institution to transfer the funds for grant disbursement.

If the line of credit is used, the outstanding principal should be paid as soon as is fiscally possible, taking into account interest rates and the benefits of long-term versus short-term debt obligations.

EMPLOYEE REIMBURSEMENT

Discussion

Travel expense reimbursement is one of the most critical areas to control. Effective control requires that formal travel expense forms and travel policy be communicated to the traveler to avoid excessive expense, embarrassment, hard feelings, and general misunderstandings concerning eligible expenses and expense limitations.

Policy

It is the policy of the Foundation to establish travel expense limitations and guidelines as follows: (the Executive Director may make exceptions to this policy for staff members; the President may make exceptions to this policy for the Executive Director);

Authorizations - All travel requests must be for budgeted travel and approved in a timely manner, preferably at least 30 days in advance, but no later than 10 days in advance, by the appropriate manager. Employees requesting reimbursements for travel expenses must submit a reimbursement form with relevant receipts attached to the Executive Director for approval prior to receiving payment. The Executive Director must submit a reimbursement form with relevant receipts attached to the President, Treasurer or other officer for approval before receiving reimbursement for incurred expenses. No employee or director may sign a check payable to him/herself, even if the reimbursement is properly approved.

Travel Advances - Travel advances will be issued if requested at least 30 days before the trip. The advance will not exceed 150% of the estimated costs. Permanent travel advances will not be allowed.

Personal Mileage - Employees will be reimbursed for use of their personal cars on Foundation business at the maximum tax-free rate permitted by the IRS. Commuting mileage will not be reimbursed.

Public Carrier - Employees traveling by public carrier must utilize the most cost-effective means of travel, such as coach airfare. Receipts are necessary.

Lodging - Lodging facilities must be approved by the Executive Director. When staying overnight, employees will use one of the hotels where the Foundation has a special rate.

Employees will be reimbursed entirely for the basic room charge and applicable taxes. Receipts are necessary.

Meals - Employees will be on a per diem basis for meals and tips. Current per diem rates are \$35/day.

This figure includes applicable tip and taxes. Alcoholic beverages may not be included as a per diem cost.

Receipts are necessary for meals. Tips should be noted on meal receipts. When having a meal for a non-employee, it should be noted on the back of the receipt the names of the individuals and purpose of the meeting.

Taxi - Actual taxi fares, including tips, will be reimbursed entirely. Receipts are necessary. Tips must be noted on taxi receipts. Airport transportation via shuttle is encouraged to reduce costs.

Telephone - Personal calls must be limited to 10 minutes per day to be reimbursable.

Tips - Reasonable tips for baggage handling will be reimbursed. Receipts are not required.

Parking and Tolls - Parking fees and toll expenses will be reimbursed. Receipts are necessary.

Car Rentals - Car rentals will be reimbursed if approved in advance. Receipts are required.

Travel expense reimbursements will be distributed or mailed within 30 days receipt of properly approved requests.

Non-allowable expenses include:

- ◆ Entertainment
- ◆ Alcoholic beverages
- ◆ Personal expenses (dry cleaning,* gifts, etc.)
- ◆ Non-Foundation business calls

*dry cleaning may be allowed for business trips exceeding four nights

EQUIPMENT & DEPRECIATION

Policy

Acquisitions of equipment in excess of ~~\$500~~ \$1,000 are capitalized. Purchases of equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Depreciation will be charged beginning in the month that the asset is placed into service.

Estimated lives are:	
Computers, software and related equipment	3 years
All other equipment and furniture	5 years

FINANCIAL STATEMENT PREPARATION AND DISTRIBUTION

Discussion

Financial statements should be prepared and distributed on a timely basis if the Foundation is serious about taking a proactive rather than a reactive position in solving problems. If financial statements are not distributed promptly, valuable time that could have been used to correct the problem will be lost.

Financial statements should be prepared and distributed monthly within twenty working days after the close of the prior month. The statements should include, at a minimum, the statement of financial position (balance sheet), the statement of activities (income and expense statement), departmentalized or functional statement of activity reports, and other financial reports important to the organization.

Policy

It is the policy of the Foundation to prepare and distribute monthly financial statements to the Treasurer that will include a balance sheet, IOLTA income report, and budget to actual report. These statements will be prepared and distributed within twenty working days after the close of the month.

Quarterly statements will be distributed to the Board of Directors. Monthly statements will be distributed to the Finance Committee, the Executive Director, the Treasurer, and the Board President.

Procedure

The Program Assistant will be responsible for generating and distributing all financial reports, once approved by the Executive Director.

GRANT AWARDS PROCESS – FOUNDATION GRANTS

Policy

The grant awards process is one of the most important responsibilities of the Foundation Board. The Board is committed to promoting a grant atmosphere free of politics, bias or favoritism, with an emphasis on seeking the greatest public service return for each WisTAF dollar awarded. In order to ensure the grant awards process is as unbiased and comprehensive as possible, the Board has delegated the various component parts of the process to appropriate committees for greater oversight.

The Grants/Evaluation Committee is responsible for establishing grant application criteria, reviewing grant applications and making grant recommendations to the Board on an annual basis. It is also responsible for establishing grantee evaluation criteria and standards, and for evaluating grantee performance (see “Grant Monitoring & Compliance Process – Foundation Grants”).

The Finance Committee is responsible for reviewing Foundation income and making annual grant level recommendations to the Board.

The Board is responsible for establishing the annual grant level, approving all grant awards, and establishing requirements for all grant applicants to follow.

Staff is responsible for coordinating the grant application and award process, including maintaining the Board's timeline, creating and distributing grant applications and other materials, publicizing the grant award process, verifying applicant documentation, notifying applicants of their grant status, etc. Staff will also remain current with trends in granting and evaluation standards and offer suggestions to the Board and its committees as needed to ensure the Foundation’s high standards are upheld.

Grant awards made by the Board cannot be challenged. Grant awards can be modified by Board decision at any time during the grant year.

Procedure

“Foundation Grants” currently encompasses IOLTA Category I and Category II grants and Public Interest Legal Services Fund grants which are funded by Lawyer Bar Dues.

"State Appropriation Grants" are grants made from appropriated state funding for the provision of civil legal services to low-income people, and in which WisTAF is named as the program administrator and reports to the Department of Administration.

Timeline – Grant awards are made on a calendar basis. Grant applications are available in the spring for the following year. Completed grant applications are due in late ~~May~~July. Grant decisions are made in the fall.

Setting grant levels – The Finance Committee recommends upcoming year grant levels as part of the annual budget process. The Grants/Evaluation Committee may or may not use those levels to make its initial grant award recommendations. The Board makes the final grant level decision.

Determining grant awards – The Grants/Evaluation Committee recommends grant awards to the Board, which has the authority to act upon the recommendation or discard it for awards of the Board’s choosing. The Board makes all grant award decisions.

Grant Conditions Agreement – Staff will issue a grant conditions agreement to each grantee for each grant awarded. This agreement will indicate the grantee’s name and

terms of the grant such as how and when it will be disbursed, the terms under which the funds must be used, repayment instructions for funds not used, award modification terms, what reports will be required from grantees, and other terms as determined by the Grants/Evaluation Committee. A copy of the grant conditions agreement signed by representatives of both the Foundation and the Grantee agency will be kept on file in the Foundation offices. Grant conditions agreements for state appropriation grants must reference the budget line item assigned to the civil legal services appropriation for grantee audit tracking purposes (ex., for the 2007-2009 state appropriation grants, "2007 WI Act 20, Chapter 20.505(1)(e)" should be referenced).

Necessary documentation from grantees – Staff shall maintain grant binders or other filing systems for each grantee. Grantees must submit all required documentation specified in the grant application, grant conditions agreement or otherwise requested by the Foundation before funds are disbursed.

Notification of awards. Staff will notify applicants of preliminary grant award recommendations made by the Grants/Evaluation Committee, and may appeal the recommendation in accordance with the Foundation’s lobbying policy. Applicants will be notified again once the Board makes its final grant awards decision. Grant awards may not be appealed.

Unawarded grant application retention. Grant applications that do not receive an award will be discarded after the Board has made its grant decisions.

GRANT DISBURSEMENT PROCESS – FOUNDATION GRANTS

Policy

IOLTA Grant awards are generally disbursed in quarterly installments on the first day of each quarter of the grant award year. PILSF grant awards are generally disbursed on January 1, with any residual funds disbursed as quickly as possible when received. State Appropriation grant awards are disbursed upon receipt. The Board of Directors may modify the disbursement schedule at any time. Grant disbursements are signed by two Board or staff members authorized to sign checks.

Procedure

The Program Assistant will generate grant award checks with sufficient time to get two signatures before the date they are to be sent. Grant disbursements will be mailed the first day of each quarter, or otherwise by Board directive.

The Program Assistant will maintain a list of grant awards paid and update as needed.

GRANT MONITORING & COMPLIANCE PROCESS – FOUNDATION GRANTS

Policy

The Grants/Evaluation Committee evaluates grantees through a variety of methods that may include required reporting from grantees, site visits to grantee agencies, review of grantee financial documents, etc. The Grants/Evaluation Committee will report its findings to the Board on at least an annual basis or otherwise as needed. All grants must be evaluated for compliance with established requirements, in accordance with Supreme Court Rule Chapter 13 and/or relevant grant management agreements.

Procedure

“Foundation Grants” are currently IOLTA Category I and Category II grants, and PILSF grants.

Grantees are required to submit mid-year and annual (end-of-the-year) reports in the formats established by the Foundation for each grant they have received. In addition, grantees will be asked to host an on-site visit from Foundation Board and staff in the spring following any grant year. Additional information may be requested by the Foundation if any discrepancies are noted.

The Evaluation Committee will review all grantee and Foundation reports and bring any irregularities or concerns to the Grants Committee (if a new application from the grantee has been submitted) and/or the Board (if circumstances involve requesting an awarded and disbursed grant to be repaid to the Foundation).

GRANT CONTRACT, AWARDS, & COMPLIANCE MONITORING – NON-WISTAF RESTRICTED GRANTS & DONATIONS

Policy

In order to continue receiving government grants and restricted donations, the Foundation must have systems in place to ensure compliance with the restrictions imposed by those grants and restricted donations.

If no other Board or Committee member is so designated, the Executive Director will be designated as the Foundation’s compliance officer and will be responsible for overseeing the compliance with all applicable grant or donation restrictions.

The Executive Director will be responsible for communicating the nature of all donor restrictions to the Program ~~Assistant~~ Manager. This information will be used to ensure that the General Ledger restricted donations account(s) will reflect the restricted donations and the spending of those restricted amounts, as appropriate.

The Foundation will ensure that all grant contracts specify audit requirements before they are finalized.

Procedure

The Grants/Evaluation Committee will require periodic reports from the Executive Director regarding new compliance requirements associated with grant contracts and restricted funds. The Executive Director will be responsible for preparing a report documenting how WisTAF is ensuring compliance with grant rules. These reports, plus any correspondence with granting agencies regarding compliance issues, will be kept in the appropriate grant files. The grant files will also contain the final signed copy of the grant, any addenda and all other correspondence.

In the event that the Foundation receives restricted donations, the Executive Director will maintain a record of all such donations in a database so that periodic reports of the cumulative restricted donations can be produced. When a restriction has been satisfied, that will be noted in the database. If appropriate, the Executive Director will be responsible for communicating the satisfaction of the restriction to the donor. The Executive Director will forward copies of each month's new and outstanding restricted donations to the Program Assistant Manager, who will enter a journal entry to ensure that the restricted donations are correctly presented in the financial statements.

When WisTAF receives grantee audit requests for confirmation of grants provided to grantee agency for the audited period, it must provide the following information to the grantee's auditor:

- IOLTA Category I grants – unrestricted funds for the provision of low-income civil legal services
- IOLTA Category II grants – unrestricted funds for the purpose of (give the project name or description)
- PILSF grants – unrestricted funds for the provision of low-income civil legal services
- State appropriation grants – unrestricted funds for the provision of low-income civil legal services

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GRANT RESERVE POLICY: Determining Grant Levels

Policy

The board-designated reserve, which is invested in various securities managed by Thompson Investment Management LLC, will be funded and capped.

The amount of the cap will be determined by the board annually at its regular September meeting. The reserve cap will be established as 100% of the amount of the annual grants attributable to Interest on Lawyers Trust Accounts, or the so-called IOLTA grants.

Grant awards attributable to alternative revenue sources, such as PILSF grant awards, will not be subject to this reserve requirement, and not included in the reserve calculation.

If our reserve account is greater than the annually-determined reserve levels, the excess should be used in the grant determination. If our reserve account is less than the annually-determined reserve levels, the deficit should be funded from annual IOLTA revenues as expeditiously as possible.

Procedure

To determine annual reserve amounts, the Executive Director will determine the amount of IOLTA income received in the immediate past twelve months to use as a baseline. The amount may be modified if the U.S. economy is in a downward trend.

This amount will be included in the budget process as the recommended grant level. If the recommended grant level is a different amount than the existing reserve, adjustments will be made to both amounts until they are equivalent, and the adjusted amount included in the budget process as the recommended grant level, unless otherwise determined by the Finance Committee and/or board.

With approval from the Treasurer or President, the Executive Director will ensure that adjustments to the reserve are made expeditiously in accordance with investment policy (see also “Investment Policy”).

IBRETA REFUNDS/IOLTA OVERPAYMENT/REFUNDS

Policy

The Foundation defines IOLTA income as being interest paid on Wisconsin attorney trust accounts. Occasionally, the Foundation receives income through IOLTA remittances that belongs to other entities, individuals or organizations. When that happens, the amount is refunded to the proper owner.

Procedure

IBRETA refunds – The Program Assistant should scan IOLTA remittance reports for realtor accounts. If interest from a realtor account is remitted in addition to IOLTA interest, the Program Assistant should contact the financial institution to have them change the account to an IBRETA account and to review the interest remitted on that account to see if any further interest was remitted to WisTAF by mistake. Once the full amount of mistakenly remitted interest is documented, the Program Assistant should notify the Executive Director of the refund amount, with all necessary documentation from the financial institution. The Executive Director should review the documentation, approve any refund, and pass the materials to the Program Assistant for payment and adjustment of IOLTA income.

Overpaid IOLTA refunds –Occasionally financial institutions overpay their IOLTA remittance due to internal error. Financial institutions requesting a refund of overpaid IOLTA interest must submit documentation that shows the trust account balances for the

period in question, the interest rates paid during the period, the remitted amount of interest for the period and the amount of interest that should have been remitted. The Executive Director should review the documentation, approve any refund, and pass the materials to the Program Assistant for payment and adjustment of IOLTA income. Once identified, the financial institution cannot carry the overpayment to a new reporting period. They must request a refund of the overpaid interest.

Other refunds – Occasionally attorneys ask for refunds of interest in the name of their client or interstate financial institutions mistakenly remit IOLTA income from another state to Wisconsin. The institution or attorney should submit a letter that states the principal amount held for the client, the period of time during which the principal was held, the interest rate paid for the period and the total amount of the requested refund. The Executive Director will review the materials, approve any refund, and pass the materials to the Program Assistant for payment and adjustment of IOLTA income.

INSURANCE

Discussion

In order to protect the organization, employees, and volunteer officers, organizations should have their insurance policies reviewed annually to ensure that coverage and limits are adequate. This review should be conducted by someone trained in commercial insurance who is not the organization's insurance broker.

Policy

It is the policy of the Foundation to have an independent insurance consultant review the organization's insurance policies every ~~two~~ three years to ensure coverage and limitations adequately meet the needs of the organization, members, and employees. At a minimum, the Foundation shall maintain Directors & Officers, Employee Indemnity/Bonding, Worker's Compensation and Business Liability policies.

Procedure

The Executive Director will review insurance policies and premiums on an annual basis. Bids for policies should be solicited at least every three years, or more often as needed.

INVESTMENT POLICY

Discussion

The investment of the Foundation's excess cash should always be preapproved by the Foundation's policy-making body. If investment policies are preapproved by the board of directors, executive committee, budget and finance committee, and so forth, the individual(s) making the actual investment decisions will be bound by the policy and prohibited from making risky investment decisions in the hope of achieving a higher investment return than approved investments, no matter how well intended.

Before investments are entered into, an analysis must be done of the cash flow projection budget for the length of time the moneys will be obligated. This analysis will ensure that cash is available to meet routine, on-going cash obligations before any investment decisions are made. This analysis will become part of the permanent record surrounding the investment.

Also, the current maximum insured by the Federal Deposit Insurance Corporations (FDIC) is \$100,000. This maximum insured amount should be taken into consideration when implementing the investment policy.

Policy

The Foundation will build and maintain a reserve to assist in maintaining financial stability. This will be an investment reserve held separately from other Foundation funds, and managed as a grant reserve (also see "Grant Reserve Policy"). Any income of the reserve will stay in the reserve fund. The Board may designate portions of the net assets of the reserve for specific purposes.

The Foundation shall retain professional management of the reserve at all times that the reserve balance shall exceed \$100,000. Said manager(s) shall be selected by the Finance Committee and approved by the Board. The performance of the management and the fees for same shall be reported to the Board by the Finance Committee at least yearly.

The preferred instruments for investments shall be mutual funds consisting of common or preferred stocks or high grade corporate or government bonds and cash. Realizing that market conditions are constantly changing the Foundation wants to allow the manager some flexibility with regard to the mix of bonds and stocks that the reserve may be invested in. However the general rule shall be as outlined below. Any material deviation from these guidelines shall be approved by the Finance Committee prior to such changes being made. Any such deviation from the policy shall be reported to the entire Board no later than the next meeting following the action of the Finance Committee.

<u>INVESTMENT VEHICLE</u>	<u>% OF RESERVE</u>
Stocks	45 to 55 %
Bonds	55 to 65 %

If, at any time, the management of the reserve shall recommend the conversion of the reserve to cash, in excess of 5% said conversion must first be approved by the Finance Committee and then reported to the Board as soon as practicable.

It is the policy of the Foundation that the investment of the reserve shall not be concentrated in the securities of any one company or government entity in excess of 10%.

Any additions to the reserve shall be made with the prior approval of the Finance Committee.

Any withdrawals from the reserve must have the prior approval of the full Board. Authorizations to the manager for withdrawal shall be signed by at least two members of the Foundation Executive Committee (one of whom must be the Treasurer) and the Executive Director.

The reserve may be pledged by prior authorization of the full Board. Any loans made to the Foundation made under such a pledge shall be first approved in total by the full Board and individual disbursements may be authorized by joint prior approval of the President, Treasurer and the Executive Director. In the absence of the President or the Treasurer any two other members of the Board Executive Committee may act in their place (also see "Debt").

The Finance Committee shall review this policy at least every two years. Any changes made to this policy shall only be made with the prior approval of the Board of Directors.

IRS FORMS: Form 990

Discussion

Form 990 is an information return required by the IRS of all not-for-profit organizations with gross revenues of \$25,000 or more.

As part of an organization's tax-exempt status, the organization must make Form 990 available for public inspection, and a firm policy on this access should be established.

Policy

It is the policy of the Foundation to allow public access to IRS Form 990.

This access will be provided at the Foundation's headquarters at a time mutually agreeable between the Foundation and the individual requesting the inspection. Requests

for copies of Form 990 may be denied, and Form 990 will not be mailed under any circumstance without the approval of the Executive Director (also see “Records Access, Retention and Destruction”).

LOANS PROHIBITED

Policy

It is the policy of the organization to prohibit loans to employees and members under all circumstances.

One payroll advance per year may be allowed at the discretion of the Executive Director, or in the case of the Executive Director, at the discretion of the President or Treasurer. Payroll advances may not exceed the net amount due for the current payroll period worked.

Procedure

Payroll advance requests must be pre-approved and communicated to payroll services at least three days prior to payroll disbursement.

LOCK BOX MANAGEMENT

Discussion

~~A lock box is a system whereby incoming checks are mailed directly to and deposited by a bank rather than mailed to the organization.~~

~~Use of a lock box is a very effective internal control because employees do not come into contact with original checks and the opportunity for employee dishonesty is virtually eliminated.~~

~~A lock box also has several other advantages over mailing checks directly to the Foundation:~~

- ~~1. Checks are deposited into the Foundation’s account two or more banking days sooner than by traditional methods, so the Foundation’s cash flow improves.~~ Formatted: Bullets and Numbering
- ~~2. End of month deposits in transit are reduced.~~
- ~~3. Valuable employee time isn’t wasted on preparing bank deposits, going to the bank, and so forth.~~ Formatted: Bullets and Numbering
- ~~4. The possibility of losing, misplacing, or having checks stolen is eliminated.~~
- ~~5. Checks are deposited even if employees are out sick, on vacation, and so forth.~~

~~When negotiating with the bank, it is suggested that organizations direct the bank to make copies of the original checks and forward the check copies with everything that accompanies the checks, including the envelopes (to record address changes).~~

~~Once the lock box receipts are sent to the Program Assistant, accounting must balance to the deposit total and record the transaction in the accounting records.~~

~~Lock box transactions should be recorded on a daily Lock Box Transaction Log Form and be retained with the bank deposit slip.~~

Policy

~~It is the policy of the Foundation that checks mailed to the Foundation be mailed to the lock box currently at M & I, Milwaukee bank.~~

~~The bank will copy the checks and forward the copies, deposit slips, and all materials sent with the checks, including the envelopes to the Program Assistant.~~

~~The Program Assistant will maintain a Daily and Monthly Lock Box Transaction Logs. The Executive Director will reconcile the Monthly Lock Box Transaction Log to AIM database deposit records on a monthly basis. The Executive Director will also reconcile the AIM database deposit records to the lockbox statement on a monthly basis (see also, "Control Over Automated Clearing House (ACH) Transmittals").~~

MAINTENANCE OF ACCOUNTING POLICIES AND PROCEDURES MANUAL

Policy

The accounting policies and procedures manual is critical to the accounting function of the Foundation.

The Executive Director is responsible for maintaining the manual.

The Board must approve all proposed policy changes after review and recommendation by the Finance Committee. The Executive Director in consultation with the Treasurer must approve procedural changes.

The policies and procedure manual will be dated with the date of each approved revision.

Procedure

Each year the Executive Director will review the manual and formulate proposed procedural changes. This should take place in time to be reviewed by the independent auditors during the annual audit. All changes must be made in writing by the Executive Director and provided to the Finance Committee. If the Executive Director has no

proposed procedure changes, a memo to that effect must be provided to the Finance Committee.

The revised manual will be distributed to the Executive Director, the Program Manager, the Program Assistant and the Board.

NON-REMITTANCE REPORTING

Discussion

Financial institution remittance reports vary from month to month, usually reflecting new IOLTA accounts opened or old IOLTA accounts closed. However, on an annual basis, a significant number of the accounts omitted from one remittance report to the next are unexplained. They may be due to financial institutions' database losses experienced when upgrading computer systems or merging with another bank, or may be lost through simple human keying error.

In 2004, after analyzing the frequency that those accounts proved to be active IOLTA accounts that simply hadn't been reported, it was found that sufficient interest had been generated by those unreported accounts to offset the cost of tracking them and provide significant income.

Policy

On a quarterly basis, the Program Assistant will generate a non-remittance report for all financial institutions with IOLTA accounts that existed prior to the quarter, but have not been reported since. Financial institutions will be required to remit interest for any active IOLTA accounts that are identified. The amount of the interest remitted for the account shall be retroactive to the period that the account was last reported.

The ~~Executive Director~~Program Manager will generate a report listing all non-remitting reports, and reconcile it to the letters sent to financial institutions each quarter, to ensure that all non-remitting IOLTA accounts have been identified and their status checked and revised as appropriate.

Procedure

After data entry is completed for a quarter, the Program Assistant will generate non-remittance reports for financial institutions. The Program Assistant will provide a copy of all reports to the ~~Executive Director~~Program Manager.

The Program Assistant will mail non-remittance reports to the appropriate financial institutions, and will receive the corrected reports when they are returned. The Program Assistant will make corrections to the ~~AIM~~IOLTA 2 database reflecting the status of each non-remitting account, and will file all corrected reports received for that quarter.

Once all corrected reports have been received, the Program Assistant will give the file to the ~~Executive Director~~Program Manager for review.

The ~~Executive Director~~Program Manager will make sure that all reports generated and sent have been returned, and that the account log corresponds to the corrected reports and all accounts properly updated in AIMIOLTA 2.

Non-remittance records will be retained ~~in accordance with “lockbox paperwork” records policy~~ (see also “Records Access, Retention and Destruction”).

PREPARATION OF INFORMATIONAL RETURNS

Policy

WisTAF is required to file IRS forms 990, Return of Organization Exempt from Income Tax and 990 Schedule A, Organization Exempt Under Section 501(c)(3), and Wisconsin Department of Regulation and Licensing form 1952, Charitable Organization Annual Report.

The preparation of these reports will generally be contracted out to the independent accountants performing the audit.

The Executive Director will be responsible for providing the information needed to prepare the report.

The Executive Director will review the reports prior to filing them to ensure that they are accurate and do not indicate any potential problems with the Foundation’s tax status or fundraising license.

PROPERTY AND EQUIPMENT INVENTORY

Policy

An inventory of all property and equipment will be maintained. The inventory document will contain sufficient information for insurance and grant requirements.

Procedure

The Program ~~Assistant~~Manager will maintain a spreadsheet of all property and equipment owned by the Foundation. Information recorded on the spreadsheet will include: description, serial number, acquisition date, cost, vendor, location and any grant or other restrictions.

The property and equipment spreadsheet will be consulted prior to sale of any item to determine if there are restrictions. Grant-purchased equipment may generally not be sold without the grantor's permission.

An annual inventory will be taken to verify the existence of the property and equipment listed on the spreadsheet.

RECORDS ACCESS, RETENTION AND DESTRUCTION

Discussion

Every organization should have a formal, well-thought-out records ~~access~~, retention and destruction policy. Old records that are rarely, if ever, used take up valuable, expensive space; yet premature destruction of records can be a costly and sometimes embarrassing mistake.

To address this situation, the Foundation must first inventory existing records and determine how old they are. After the inventory is complete, a study must be undertaken to determine how long records must be kept, and an appropriate policy established for each type of record eligible for destruction. A formal record of the destruction should be maintained on a permanent basis in a records destruction log. The investigation into how long records must be retained will sometimes uncover inconsistencies among federal, state, and local requirements. When a conflict does exist, the longer period should prevail.

Some records, even though not required by law, should be retained permanently, such as audited financial statements, some personnel records, minutes, legal correspondence, tax records, or other documents that may be important to the Foundation or eligible for its archives.

Document Destruction: the Sarbanes-Oxley Act was signed into law on July 30, 2002 as a result of corporate and accounting scandals. While most provisions of the act apply only to publicly traded companies, document destruction provisions do specifically apply to nonprofit organizations. It is a crime for an organization to destroy, alter, cover up, or falsify a document to prevent its use in an official proceeding.

Policy

Foundation records are generally open to public inspection in accordance with IRS rules, open records laws and the spirit of public service. However, certain information is not open to public examination and may only be released with the permission of the Executive Director and President. Questions in this area are to be resolved by the Executive Director. If the answer to a request is unclear the Executive Director may contact the full Executive Committee for advice.

Grantee Records Access Policy - Except as provided below, requests for access to or copies of Wisconsin Trust Account Foundation (“WisTAF”) records will be construed and processed consistent with the Wisconsin Public Records Law. A grant application will be confidential upon submission to WisTAF until the Grants Committee announces its preliminary grant award recommendations for the grant cycle in which the application was submitted. The Executive Director is WisTAF’s record custodian. The Executive Director may consult with the President of the Board of Directors or the Executive Committee regarding records request issues. Actual, necessary and direct costs of providing record access or copies will be charged to persons requesting WisTAF records. The Executive Director, in his or her discretion, may waive the charges for responding to a specific records request.

Policy on Requests for Information about IOLTA Accounts or Other IOLTA Banking Information from non-Foundation Sources - IOLTA information is confidential to the fullest extent the law allows. The Foundation uses all standard confidentiality practices to respect and maintain the relationship between attorneys, banks and their clients. Requests for information pertaining to IOLTA accounts from persons or organizations that are outside Foundation parameters will not be granted, except in the case of the Office of Lawyer Regulation as needed to verify accounts when a financial institution fails or is acquired by another financial institution. IOLTA records will be made available per IRS requirements and to auditors for auditing purposes.

Various rules, statutes of limitations and common sense govern record retention. It is the policy of the Foundation to retain records as required by law and to destroy them when appropriate.

The Foundation shall do an annual inventory of records scheduled to be destroyed in that year. The Executive Director will fill out a Records Destruction Request Form, listing all records to be destroyed, which will be submitted to the Treasurer and/or President for approval. Once the records have been destroyed, a copy of the Records Destruction Request Form will be included in the Foundation’s Records Destruction Log.

Procedure

Payroll tax forms – are not public information and will not be released.

IRS Forms 990 and 990A – must be made available to anyone upon request. The specific rules are outlined in the instructions for form 990. All pages, schedules and attachments, except the detailed schedule of contributors must be made available. This access will be provided at the Foundation’s headquarters at a time mutually agreeable between the Foundation and the individual requesting the inspection. Form 990 will not be mailed under any circumstance without the approval of the Executive Director. Requestors who wish to have a copy must pay the legally allowed fee, plus actual postage, if applicable (see also, “IRS Forms: Form 990”).

Form 1023/application for exempt status and the IRS determination letter are also available in the same manner as Form 990.

Wisconsin Charitable Organization Report will also be available in the same manner as Form 990.

Personnel records – all requests for personnel records, job references and credit inquiries will be referred to the Executive Director (see also, “Salaries: Documenting Executive Director Salary”).

Financial information – financial statements and other financial information are regularly distributed to Foundation employees and the Board. The Executive Director must approve any outside requests for such information.

Record retention – a schedule of record retention follows. Any discarding of records should follow this schedule. However, prior to discarding of records, the permission of the Executive Director and the President and/or Treasurer are required to ensure that they have no reason that an exception should be made to the policy. All discarded documents are to be shredded or sent to a recycling company that issues a confidentiality agreement to its clients.

For tax purposes, records should be maintained until the expiration of the statute of limitations. Generally, that period expires three years after the later of the due date of the return or the date filed. While there are a few exceptions to this rule, the three-year period normally should be adequate.

For non-tax purposes, records should be maintained only as long as they serve a business purpose or until all legal requirements are met. Unfortunately, there are not specific standards that will cover all situations. The following are some of the factors that should be considered: federal, state and local statutes and regulations; industry requirements or standards; potential claims or litigation; contract requirements.

Type of Record...Retention Period (Yrs)	
Accident reports/claims.....7*	Committee minutes.....4
Appraisals.....P	Contracts & agreements.....7*
Articles of incorporation/bylaws.....P	Conflict of Interest Statements.....P
Assets records.....7*	Correspondence – credit & collection..7
Audits.....P	Correspondence – routine.....4***
Bank statements/reconciliations.....4	Credit memos.....4
Bills of sales – assets.....7*	Damage & theft reports.....7
Board minutes.....P	Deeds.....P
Budgets & Projections.....2	Deposit slips.....4
Cancelled checks/imaged checks –	Depreciation schedules.....7*
general4**	Employee contracts.....7*
Capital stock & bond records.....P	Employee disability claims.....7
Charts of accounts.....P	Employee unemployment claims.....7
Check vouchers/stubs.....4	Employment applications.....4
	Employee expense reports.....4
	Employee personnel files.....7*

Employee time reports/earnings.....4	
Employee w-2, w-4, etc.....4*	
Financial reports.....4	
Grant history.....P	
<u>Grantee ACH account information.....P</u>	
Grantee binder materials.....4*	
Insurance policies/records.....4	
Internal reports, memos, work orders...2	
Inventory records.....4*	
Invoices/fixed assets.....7*	
Invoices/general expenses.....4	
IOLTA agreements.....P	
Leases.....7*	
Ledgers & journals:	
Cash receipts.....P	
Cash disbursements.....P	
General Ledger.....P	
Journal Entries.....P	
Payroll Journal.....4	
Purchases & sales.....7	
Receivables/Payables.....7	
Licenses.....4	
*	
Lockbox Paperwork.....27	

Pension records.....P
Petty cash records.....4
Purchase orders/invoices.....4
Repair & Maintenance records.....4
Tax returns & related records.....P
Payroll reports.....4

P means records should be kept permanently

* Retention period begins with settlement of claims, disposal of asset, termination of contract, etc.

** Some should be kept longer, e.g. checks for asset acquisitions should be kept with bill of sale, etc.

*** Legal and important correspondence should be kept as long as the documents to which they relate

A formal record of the destruction should be maintained on a permanent basis in a records destruction log. The investigation into how long records must be retained will sometimes uncover inconsistencies among federal, state, and local requirements. When a conflict does exist, the longer period should prevail.

SALARIES: DOCUMENTING EXECUTIVE DIRECTOR SALARY

Policy

The Executive Director’s starting salary and any subsequent salary amount changes will be specifically documented in board minutes.

TAX STATUS AND PURPOSE

Policy

The Wisconsin Trust Account Foundation is a not-for-profit corporation incorporated as a 501(c)(3) organization. The Foundation is registered with the Secretary of State in Wisconsin with a calendar year end. The Foundation is also registered with the

Wisconsin Department of Regulation and Licensing to raise funds from the general public.

The Foundation's articles of incorporation state that the corporation's purpose shall be to receive funds from attorneys' trust accounts in accordance with Wisconsin Supreme Court Rule and to make grants or expenditures of these funds for the following purposes:

1. To provide legal aid to the poor.
2. To fund programs for the benefit of the public as may be specifically approved from time to time by the Supreme Court of Wisconsin for exclusively public purposes.
3. To pay the reasonable and necessary expenses of the Board and other costs reasonably and necessarily incurred for the administration of the program including the employment of staff for the purpose.

In accordance with IRS Code section 501(c)(3), the Foundation is organized and operates exclusively for the exempt purpose as described. In compliance with the restrictions on such organizations:

- No part of the net earnings of the organization may inure to the benefit of any private shareholder or individual.
- No substantial part of the activities of the organization may consist of the carrying of propaganda or of attempting to influence legislation (lobbying).
- The organization may not participate in, or intervene in, any political campaign on behalf of any candidate for public office.

The service area is the State of Wisconsin.

Procedure

The Executive Director is responsible for ensuring that all licenses are current, that practices required of non-profits under federal, state and local laws or regulations are followed, and that changes to by-laws or articles of incorporation are filed with the appropriate agencies.

TELEPHONE EXPENSES

Discussion

Charges for telephone expenses should be allocated to the responsible function based on a review of telephone bills, telephone logs, and so forth.

Organizations often require employees to maintain telephone logs in order to control costs and abuses, and require employees to reimburse the organization for long-distance personal calls.

Organizations should use the clearing account method to account for telephone expenses in the interest of accounting and payment expediency.

Policy

It is the policy of the Foundation to require employees to account for long-distance personal telephone calls and to reimburse the Foundation for those calls. Cell-phones owned or leased by the Foundation should be used for business purposes only, in order to most effectively implement usage plans without incurring additional usage fees.

Procedure

The Executive Director will review all phone bills to look for recurring numbers that may indicate an employee's personal use of the Foundation's phones for long distance calls.

TEMPORARY EMPLOYMENT AGENCIES

Discussion

Organizations commonly utilize the services of temporary employment agencies to supplement the work force during periods of peak workloads.

Use of temporary employment agencies should require an approval process and records on their use should be maintained for budget purposes and staff evaluation.

Organizations also often hire employees of temporary employment agencies and pay the employment finder's fee. These fees are generally included in the temporary employment agencies line item on the financial statements.

Policy

It is the policy of the organization to utilize temporary employment agencies to supplement the work force during peak periods. Use of temporary employment agencies requires an approved Request for Temporary Employee Form.

Fees paid to hire the employees of temporary employment agencies are included in the temporary employment agencies line item in the financial statements.

VOIDED CHECKS

Discussion

Checks are voided for many reasons, such as errors made in the course of preparing a check, duplicate payments made to vendors, stop payments issued on lost checks, or stop payments issued because of disagreements with vendors.

Regardless of the reason, it is essential that *every* voided check be accounted for and a voided checks log be maintained and available for the annual audit.

Organizations should mark voided checks clearly with a “VOID” stamp, if the checks are physically available, and should file them in a voided checks file.

If the physical check is not available (because it has been lost, for example), the Foundation’s copy of the bank’s stop-payment order should be filed in a stop-payment order file.

Policy

It is the policy of the Foundation to maintain a Voided Checks Log and document every check that has been voided, regardless of the reason.

If voided checks are physically available, they will be stamped “VOID” and filed in the Foundation’s Voided Checks File.

If voided checks are not physically available, the Foundation’s copy of the bank’s stop-payment order will be filed in a Stop-Payment Order File.

WRITE-OFF OF OLD CHECKS

Policy

Checks older than 12 months will be written off in conjunction with year-end procedures if the checks in question do not exceed \$20. When checks exceed this amount, contact with the payee will be initiated to resolve the issue. Written-off checks will be credited to miscellaneous income.

A log of written-off checks will be completed and made available for the annual audit.

Procedure

The Program Assistant will compile a list of checks older than 12 months as part of the year-end process. The Executive Director will review the list and contact payees to make payment arrangements as appropriate.

The Program Assistant will maintain a log of written-off checks and make it available for the annual audit.

INDEX: ACCOUNTING FORMS

Policy

The Foundation's accounting forms and a brief explanation of their use should be included in this policy and procedure manual.

Procedure

Documents and forms included in this index:

- ◆ Activated Accounts log – tracks new or updated attorney/law firm accounts in the AIMIOLTA 2 database
- ◆ Activated Banks log – tracks new or updated financial institution accounts in the AIMIOLTA 2 database
- ◆ ~~Bank Statement Review—records Treasurer/Deputy Treasurer review of monthly financial accounts statements and check images~~
- ◆ Bank Certification Chart
- ◆ Board of Directors list – reflects current board members
- ◆ Checks Received log – tracks checks received through the mail or in person
- ◆ Chart of Accounts (current) – QuickBooks accounting program
- ◆ Conflict of Interest Statement – records director or employee declaration of conflict(s) of interest
- ◆ Daily Batch Control Form – tracks individual financial institution lockbox remittances included in daily lockbox deposit
- ◆ Employee Time Sheets – tracks employee personal and vacation time accrued and used
- ◆ Financial Institution Certification form (annual)
- ◆ Inactivated Accounts log – tracks attorney/law firm accounts that have been closed in the AIMIOLTA 2 database
- ◆ Inactivated Banks log – tracks financial institution accounts that have been closed in the AIMIOLTA 2 database
- ◆ Monthly Journal Entry form – records accounting monthly accounting journal entries, including documentation and notes
- ◆ Monthly Batch Control form – tracks all lockbox deposits made within a month
- ◆ Property & Equipment Inventory
- ◆ Records Destruction Log – tracks all destroyed records
- ◆ Reimbursement Request form – employee or director financial reimbursement form
- ◆ Voided Checks log – tracks checks that have been voided

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